

Message Text

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43

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SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS FOR THE CENTRAL
AFRICAN REPUBLIC

REF: A. STATE 165596 B. BANGUI A-27 3/28/74

C. BANGUI A-94 10/21/74

1. INVESTMENT CLIMATE

CURRENT U.S. BUSINESS INTERESTS IN THE CENTRAL AFRICAN REPUBLIC ARE
RELATIVELY SMALL AND NEW AMERICAN INVZSTMENT ISHACTIVELY SOUGHT
BOTH TO FURTHER THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE NATION
AND TO LESSEN DEPENDENCE ON TRADITIONAL FRENCH INVESTMENT. IN
SPITE OF THE NATIONALIZATIONS WHICH TOOK PLACE IN MAY 1974
THE GOVERNMENT RETAINS A DETERMINED DESIRE TO INVOLVE THE PRIVATE
SECOTR IN INDUSTRIALIZATION AND THE DEVELOPMENT OF NATURAL RESOURCES.
IT WELCOMES AMERICAN AND FOREIGN COMPANIES WILLING TO COOPEATE WITH
IT ON A MUTUALLY BENEFICIAL BASIS FOR THE COUNTRY'S ECONOMIC
EXPANSION. EACH PROPOSED INVESTMENT IS SCRUTINIZED AND INCENTIVES
ARE DETERMINED BY ITS IMPORTANCE TO THE CAR'S DEVELOPMENT.
LIBERAL TAX AND TARIFF BENEFITS, LOW LABOR COSTS AND OTHER
INCENTIVES ARE AVAILABLE TO INVESTORS IN AGRIBUSINESS CATTLE
RANCHING, FOOD PROCESSING, TOURISM, MANUFACTURING AND ASSEMBLING,
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MINING AND EXTRACTION, AND OIL EXPLORATION. FULL OR PARTIAL

EXEMPTION FROM DUTIES IS AVAILABLE FOR IMPORTS OF EQUIPMENT, SEMI-MANUFACTURED GOODS AND RAW MATERIALS. INVESTORS MAY RECEIVE SUCH TREATMENT FOR 5 TO 25 YEARS. OPIC'S POLITICAL RISK INSURANCE CAN BE ISSUED FOR DIRECT INVESTMENT AND ENGINEERING AND CONSTRUCTION PROJECTS. A U.S. - C.A.R. AGREEMENT ON INVESTMENT GUARANTEES HAS BEEN IN EFFECT SINCE JANUARY 1, 1965.

HOWEVER THERE IS NO DOUBLE TAXATION TREATY. THE CAR'S INVESTMENT CODE GUARANTEES FREE TRANSFER OF CAPITAL. THERE ARE NO EXCHANGE CONTROLS SINCE THE CFA FRANC IS FREELY CONVERTIBLE INTO FRENCH FRANCS AND IS GUARANTEED BY FRANCE.

A DISPUTE OVER EXCESS PROFITS AND GOVERNMENT CREDIT ARRANGEMENTS LED TO THE NATIONALIZATION OF THE FIVE FOREIGN COMPANIES COMPRISING CAR'S PETROLEUM SECTOR IN MAY 1974. AT THE SAME TIME SEVERAL FRENCH COMPANIES INCLUDING A TIMBER FIRM AND A LOCAL BOOKSTORE WERE ALSO EXPROPRIATED. THE GOVERNMENT HAS ACKNOWLEDGED ITS RESPONSIBILITY TO PAY COMPENSATION FOR THE NATIONALIZED FIRMS AND PRELIMINARY DISCUSSIONS ARE CURRENTLY UNDERWAY. DUE TO THE NATIONAL FINANCIAL SITUATION IT IS DOUBTFUL IF THE COMPENSATION ISSUE WILL BE RESOLVED IN THE IMMEDIATE FUTURE.

GOCAR OBJECTIVES CALL FOR THE TRAINING OF SKILLED PERSONNEL AT ALL LEVELS. INVESTMENTS WHICH CREATE JOBS AND TRAIN SKILLED LABOR ARE GIVEN PREFERENCE UNDER THE INVESTMENT CODE. THE PREFERRED FORM OF INVESTMENT IS A JOINT VENTURE WITH THE INVESTORS RETAINING MAJORITY AND OPERATIONAL CONTROL. THE GOVERNMENT GENERALLY OFFERS TO PROVIDE TAX CONCESSIONS, LAND, AND CONCESSIONARY ACCESS TO NATURAL RESOURCES. AGREEMENTS WHICH OBLIGATE THE GOVERNMENT TO PROVIDE CASH, CONSTRUCTION VEHICLES, HOUSING, AND CONSUMABLE MATERIALS SUCH AS CEMENT AND GASOLINE HAVE OFTEN PROVEN TO BE LESS SATISFACTORY FROM THE INVESTOR'S POINT OF VIEW.

RECENT INVESTMENTS IN THE C.A.R. HAVE BEEN MAINLY IN THE TIMBER INDUSTRY AND URANIUM AND DIAMOND EXPLOITATION. TOURISM IS NOW THE FOCUS OF SEVERAL INVESTMENT IDEAS.

2. INVESTMENT STATISTICS

A. BOOK VALUE OF AMERICAN DIRECT INVESTMENT UNCLASSIFIED

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TOTAL ALL INDUSTRIES \$7.5 MILLION

MINING	\$7
PETROLEUM	0
MANUFACTURING	0
OTHER INDUSTRIES	\$0.5 (FNCB'S SHARE OF LOCAL BANK, B.I.A.O.)

B. DIRECT INVESTMENT BY ALL COUNTRIES IS NOT AVAILABLE, FRANCE IS

CERTAINLY THE LEADER.

C. THERE ARE NO CAR INVESTMENTS IN THE U.S.SWING

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